

## Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 EB-11 RSC-01 DRC-01 /026 W

----- 129039

R 080420Z APR 74

FM AMEMBASSY DACCA

TO ESSO EAST, HOUSTON, TELEX 762171

INFO SECSTATE WASHDC 2674

LIMITED OFFICIAL USE SECTION 1 OF 2 DACCA 1549

58996 FOR FINLEY ATTENTION ONKEN

E.O. 11652: N/A

TAGS: ENRG

SUBJECT: INTERESTED PARTY MESSAGE FOR ESSO EASTERN

REF: DACCA 1459

I. DISCUSSIONS WITH ONKEN AND OTHERS HELPFUL. ALSO ON ARRIVAL HERE AT DACCA FOUND YOUR MESSAGE SENT VIA DEPARTMENT OF STATE. AS WAS THE CASE IN THE PAST IN THE INDIAN NEGOTIATIONS THERE SEEMS TO BE A CONFUSION IN COMMUNICATIONS DEVELOPING WHICH WE MUST TRY AND AVOID.

II. OUR MINUTE NOTE WAS THE SENSE OF WHAT ACTUALLY WAS DISCUSSED, NOT AGREED, AND I REPEAT NOT AGREED. WE RECOGNIZE AND AGREE THAT WHAT WAS REFERRED AS ALTERNATIVE ONE IS ALSO PREFERABLE TO US. HOWEVER, IN THE LIGHT OF THE ATTITUDE WE ARE FACING, WE HAVE TO DEAL WITH THIS GOVERNMENT ON THE BASIS OF THEIR PREFERENCE, NOT OURS, AND FOR THIS REASON WE HAVE SUBMITTED AN OFFER IN WHICH YOU WILL NOTE OUR PROPOSAL TWO HAS BECOME PROPOSAL ONE, PARTICULARLY IN THE LIGHT OF THE MINISTER'S COMMENTS. YOU WILL NOTE THAT WE HAVE PREFACED IT IN TERMS AS TO ENCOURAGE THEM TO CONSIDER OUR NOW PREFERENCED PROPOSAL TWO, BUT YOU WILL HAVE TO LEAVE IT TO OUR JUDGEMENT AS TO WHAT ARE THE PREFERRED TACTICS TO EMPLOY IN ORDER TO ACCOMPLISH OUR REAL OBJECTIVE.

III. WE ALSO MUST REMIND YOU THAT OUR PRIMARY OBJECTIVE HERE IS  
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NOT NECESSARILY TO MAXIMIZE PROCEEDS. WE WILL DO THE BEST WE CAN OFFCOURSE TO ACCOMPLISH THIS BUT GOVERNMENT HAS INDICATED PREFERENCE FOR OUR PROPOSAL ONE (NEW). THEREFORE WE HAVE TO ACCEPT THIS AT FACE VALUE FOR THE TIME BEING. WE BELIEVE THAT WE HAVE COUCHED

OUR PROPOSAL ON SUCH TERMS AS TO ENCOURAGE THEM TO ACCEPT THE PREFERRED PROPOSAL, BUT WE CANNOT FORCE THEM, AND YOU SHOULD BE AWARE OF THE REASONS FOR THIS AS WELL AS OURSELVES. WE CONSIDER IT A MAJOR STEP FORWARD THAT THEY HAVE EVEN AGREED TO TALK TO US.

IV. RE INTEREST AT 7 1/2 PERCENT, WE HAVE DELIBERATELY LEFT THIS OPEN BUT POINT OUT YOUR PREFERENCE IS JUST IMPOSSIBLE TO OBTAIN, AND IF YOU INSIST ON YOUR PREFERENCES THEN WE WILL STILL BE TALKING A YEAR FROM NOW. THE SITUATION HERE IS DIFFERENT FROM THAT OF THE INDIA POLICY AT THE LEVEL OF SIX AND HALF PERCENT FREE OF TAX. THERE IS NO POLICY HERE, AND FOR YOUR INFORMATION THE LAST RATE OF INTEREST ON PUBLIC SECURITIES WAS FIVE AND HALF PERCENT. IF THE OPPORTUNITY PRESENTS ITSELF WE WILL TRY IT FOR SIZE AND THEN ONLY PROVIDING IN OUR JUDGEMENT IT WILL NOT PREJUDICE OUR NEGOTIATIONS.

V. THE FOLLOWING IS THE TEXT OF WHAT WE HAVE ACTUALLY SUBMITTED TODAY, WHICH I BELIEVE IS CONSISTENT WITH THE SENSE OF OUR TELEPHONE CONVERSATION.

QUOTE DACCA, APRIL 5 - DEAR MR. MINISTER:

1. WE HAVE THE HONOUR AND PLEASURE IN SUBMITTING FOR THE GOVERNMENT'S CONSIDERATION A REVISION OF THE PROPOSALS SUBMITTED ON SEPTEMBER 26, 1972, WHEREIN ESSO OFFERED TO SELL ITS ENTIRE OPERATIONS IN BANGLADESH TO THE GOVERNMENT. SUBMISSION OF THESE REVISED PROPOSALS FOLLOWS ON OUR DISCUSSIONS WITH THE HONOURABLE MINISTER AND KERAMET ALI, SECRETARY, ON APRIL 1, 1974 IN RESPECT OF GOVERNMENT'S ACCEPTANCE OF THE SEPTEMBER 28, 1972 PROPOSALS IN PRINCIPLE AND THE EXPRESSED DESIRE OF BOTH YOURSELF AND ESSO TO EXPEDITE THE CONCLUSION OF AN AGREEMENT.

IN FORMULATING THESE PROPOSALS ESSO TOOK INTO CONSIDERATION MANY FACTORS INCLUDING BUT NOT RESTRICTED TO THE FOLLOWING:  
A) CONSIDERATION OF THE GOVERNMENT'S FINANCIAL POSITION, BOTH SHORT AND LONG TERM, AS TO OFFER TERMS AND ARRANGEMENTS MORE ATTRACTIVE TO GOVERNMENT IN RESPECT OF CONCLUDING AN EARLY AGREEMENT CONSISTENT WITH GOVERNMENT'S DESIRES AND CAPABILITIES.  
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B) ESSO'S NATURAL CONCERN FOR THE WELFARE OF ITS BANGLADESH NATIONAL STAFF BOTH FOR THE PRESENT AND THE FUTURE IN ASSURING THEM OF CONTINUED EMPLOYMENT, PROTECTION OF SERVICE BENEFITS EARNED TO DATE, AND CONTINUATION OF THEIR PRESENT SERVICE CONDITIONS FOR A REASONABLE PERIOD.  
C) THE DESIRE OF ESSO TO CONCLUDE AN AGREEMENT IN KEEPING WITH THE SPIRIT OF GOODWILL AND RAPPORT WHICH HAS PREVAILED BETWEEN ESSO AND THE GOVERNMENT.  
D) THE PRESENT ESSO OPERATIONS IN BANGLADESH SHOULD CONTINUE TO OPERATE WITHOUT INTERRUPTION. ESSO CONSIDERS, AND WE BELIEVE THE GOVERNMENT AGREES, ESSO'S MARKETING DISTRIBUTION FACILITIES THROUGHOUT BANGLADESH AND THE LUBRICATING OIL BLENDING AND COM-

POUNDING PLANT AT CHITTAGONG IN WHICH ESSO HOLDS A 50 PERCENT INTEREST WITH A BENGALI PARTNER ARE ESSENTIAL TO THE ECONOMY OF BANGLADESH; THEREFORE, THE OPERATING FACILITIES SHOULD NOT BE DISTURBED.

E) CONFIDENTIALITY OF DISCUSSIONS AND APPOINTMENTS. IN A PROPOSAL OF THIS NATURE IT IS ESSENTIAL THAT DISCUSSIONS SHOULD BE UNDERTAKEN UNDER MAXIMUM INFORMATION SECURITY ARRANGEMENTS.

2. IN THE CONTEXT OF THE FOREGOING FACTORS ESSO RESPECTFULLY REQUESTS THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH TO CONSIDER AND ACCEPT FOR NEGOTIATION EITHER OF THE FOLLOWING PROPOSALS.

3. PROPOSAL ONE

THE GOVERNMENT SHALL TAKE OVER ALL OF ESSO'S ASSETS IN BANGLADESH INCLUDING ITS 50 PERCENT SHARE OWNERSHIP IN THE STANDARD ASIATIC OIL COMPANY LIMITED AND ALL OF ESSO'S LIABILITIES IN EXCHANGE FOR: 1) AN IMMEDIATE PAYMENT OF \$100,000 IN THE USA AND 2) A COMPENSATION OF TAKAS ONE CRORE WHICH ESSO IS PREPARED TO INVEST IN BANGLADESH PREFERABLY AS A LOAN IN ANY ONE OF THE GOVERNMENT DEVELOPMENT COMPANIES OR OTHER NATIONAL COMPANIES THE GOVERNMENT MAY PREFER. THIS MAY BE THE BANGLADESH INDUSTRIAL DEVELOPMENT CORPORATION OR ANY OTHER GOVERNMENT STATUTORY BODY OR CORPORATION IN WHICH GOVERNMENT HOLDS A CONTROLLING INTEREST. IF GOVERNMENT ACCEPTS THIS PROPOSAL ESSO WOULD EXPECT THAT GOVERNMENT WILL ASSURE THAT INTEREST WILL BE REMITTED CURRENTLY IN US DOLLARS AND UPON MATURITY OR REDEMPTION OF THE BONDS OR SIMILAR INSTRUMENT THE AMOUNTS SHALL BE REPATRIABLE IN US DOLLARS AT THAT TIME UNDER THE SAME CONDITIONS AS WOULD APPLY TO OTHER REMITTANCES  
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OF A SIMILAR NATURE. ESSO WOULD HAVE NO OBJECTION TO MATURITIES EXTENDING UP TO TWELVE YEARS.

NOTE BY OCT: NOT PASSED ESSO EAST, HOUSTON.

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ACTION NEA-12

INFO OCT-01 ISO-00 EB-11 RSC-01 DRC-01 /026 W

----- 129091

R 080420Z APR 74

FM AMEMBASSY DACCA

TO ESSO EAST, HOUSTON, TELEX 762171

INFO SECSTATE WASHDC 2675

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58996 FOR FINLEY ATTENTION ONKEN

A) A MEMORANDUM OF AGREEMENT OR OTHER FORM OF AGREEMENT ACCEPTABLE TO BOTH THE GOVERNMENT AND ESSO WILL BE CONCLUDED AS SOON AS POSSIBLE.

B) A MINIMAL PAYMENT OF US\$ 100,000 FREE OF TAX SHALL BE PAID TO ESSO AT ITS OFFICE IN HOUSTON, TEXAS, USA ON CONCLUSION OF THIS AGREEMENT.

C) THE BALANCE OF THE TOTAL COMPENSATION OF TAKAS ONE CRORE WILL BE INVESTED IN THE NAME OF ESSO IN, SAY, THE BANGLADESH INDUSTRIAL DEVELOPMENT CORPORATION OR ANY OTHER GOVERNMENT STATUTORY BODY OR CORPORATION.

D) THE GOVERNMENT WILL TAKE OVER AND CONTINUE THE EMPLOYMENT OF ALL ESSO STAFF, EXCLUDING EXPATRIATES, UNDER THE SAME TERMS AND CONDITIONS OF SERVICE AS CURRENTLY EXIST. ESSO WILL BE RESPONSIBLE FOR ACCRUED WAGES AND LEAVE BENEFITS EARNED TO THE DATE OF THE TAKEOVER.

E) ALL AMOUNTS ACCRUED TO THE ESSO STAFF UNDER ESSO'S EMPLOYEE PENSION PLANS AS OF THE AGREED DATE SHALL BE GUARANTEED BY THE GOVERNMENT TO ALL ESSO EMPLOYEES AND ANNUITANTS. ESSO HAS PROVIDED ADEQUATE BOOK RESERVES TO ASSURE THIS PAYMENT.

F) IN RESPECT OF THE ESSO BANGLADESH PROVIDENT FUNDS, ESSO WILL DEPOSIT WITH THE TRUSTEES OF THIS FUND ALL BALANCES LYING TO THE CREDIT OF EMPLOYEE'S NAME IN BANGLADESH WHICH ARE NOW FROZEN IN PAKISTAN AS OF NOVEMBER 25, 1971, AND THE GOVERNMENT SHALL GUARANTEE THAT TOTAL FUND BALANCES SHALL BE PAID TO THE INDIVIDUAL EMPLOYEE WHEN DUE.

G) THE USE OF ESSO DISTINCTIVE STATION DRESS, IDENTIFICATION SIGNS,  
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SYMBOLS AND TRADE MARKS SHALL CEASE WITHIN A PERIOD OF SIX MONTHS FROM THE DATE OF THE AGREEMENT. THE GOVERNMENT WILL ENSURE THAT THE NAMES, ESSO AND EXXON, SHALL NOT BE USED IN ANY COMPANY NAME REGISTERED IN BANGLADESH.

H) OTHER CONDITIONS THAT THE GOVERNMENT AND ESSO SHALL AGREE ARE REQUIRED AS DISCUSSIONS PROGRESS.

#### 4. PROPOSAL TWO

THE GOVERNMENT MAY WISH TO CONCLUDE AN AGREEMENT ON A ONE-TIME PAYMENT BASIS, THAT IS, GOVERNMENT WILL TAKE OVER ALL OF ESSO'S ASSETS IN BANGLADESH INCLUDING ESSO'S 50 PERCENT OWNERSHIP OF THE ISSUED AND OUTSTANDING SHARES OF THE STANDARD ASIATIC OIL COMPANY LIMITED AND ALL OF ESSO'S LIABILITIES IN BANGLADESH IN EXCHANGE FOR WHICH THE GOVERNMENT WILL PAY ESSO AT ITS HEAD OFFICE IN HOUSTON, TEXAS, USA, A MINIMAL COMPENSATION WHICH ESSO CONSIDERS SHOULD BE IN THE RANGE OF \$300,000 TO \$500,000. THIS AMOUNT SHALL BE FREE OF TAX AND NOT SUBJECT TO ANY DIMINUTION FOR ANY REASON WHATSOEVER. THESE AMOUNTS HAVE BEEN DETERMINED ON THE BASIS OF

THE PRESENT VALUE OF ESSO'S INVESTMENT IN LAND, PLANT AND EQUIPMENT LESS DEPRECIATION AS OF DECEMBER 31, 1973 PLUS ITS INVESTMENT IN S.A.O.C.L. DISCOUNTED FOR 12 YEARS AT A DISCOUNT RATE OF 15 PERCENT TO 20 PERCENT. A MEMORANDUM OF AGREEMENT OR OTHER FORM OF AGREEMENT ACCEPTABLE TO BOTH THE GOVERNMENT AND ESSO SHALL BE CONCLUDED AS SOON AS POSSIBLE. UPON CONCLUSION OF THIS AGREEMENT THE AGREED AMOUNT SHALL BE PAID TO ESSO AT ITS OFFICE IN HOUSTON. OTHER CONDITIONS SHALL APPLY AS PER ITEMS D), E), F), G) AND H) IN PROPOSAL ONE.

5. FOR THE GOVERNMENT'S INFORMATION THE BOOK VALUE OF THE TOTAL NET ESSO ASSETS IN BANGLADESH IS TK 3.84 CRORES EQUIVALENT TO US\$ 4.31 MILLION, AT THE EXCHANGE RATE OF ONE TAKA EQUALS US\$0.12125. THIS INCLUDES 50 PERCENT OF THE VALUE OF THE SHARE CAPITAL AND UNDISTRIBUTED PROFITS OF S.A.O.C.L. ESSO CAN FUND THE IMMEDIATE PAYMENTS FROM ITS OWN TAKA RESOURCES; HOWEVER, THE GOVERNMENT WILL HAVE TO PERMIT THE REMITTANCE OF FOREIGN EXCHANGE.

IT SHOULD BE NOTED THE TOTAL FOREIGN EXCHANGE REQUIRED UNDER PROPOSAL TWO IS MINIMAL IN RELATION TO THE TOTAL NET VALUE OF THE ASSETS.

6. ESSO HAS BEEN OPERATING IN THE AREA WHICH IS NOW BANGLADESH FOR OVER 75 YEARS AS A BRANCH OF A 100 PERCENT FOREIGN-OWNED LIMITED OFFICIAL USE  
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COMPANY NOW KNOWN AS ESSO EASTERN INC., A CORPORATION REGISTERED IN THE STATE OF DELAWARE, USA. DURING THE COURSE OF ESSO'S OPERATIONS IN THIS AREA IT HAS ACQUIRED THROUGH INVESTMENT AND CONSTRUCTION A MODERN TERMINAL AND MANUFACTURING FACILITIES AT CHITTAGONG, ANCILLARY UP COUNTRY STORAGE AND DISTRIBUTION FACILITIES AND A COASTAL TANKER. ESSO ALSO HAS THROUGH THE YEARS BUILT UP A HIGHLY COMPETENT STAFF WHO HAVE HAD THE BENEFIT OF THE ADVANCED TECHNICAL AND MANAGERIAL KNOWHOW OF THE ESSO ORGANIZATION WHICH RANKS AMONGST THE FINEST IN THE WORLD. ESSO HAS ALSO CONSTRUCTED AND NOW OWNS A 50 PERCENT INTEREST IN A MODERN LUBRICATING OIL AND BLENDING PLANT AT CHITTAGONG; THIS PLANT IS MANAGED AND OPERATED BY ESSO EMPLOYEES.

7. ESSO HAS NO BANK DEBT OR ANY FORM OF LONG TERM DEBT OTHER THAN THAT TO ITS HOUSTON OFFICE. NONE OF ESSO'S ASSETS ARE ENCUMBERED BY DEBT. IT HAS NO DEBT TO PAKISTAN. IT HAS ADEQUATE CASH BALANCES AND OTHER CURRENT ASSETS TO MEET ITS LIABILITIES. MOST OF ESSO'S RECEIVABLES AND PAYABLES ARE WITH GOVERNMENT OR ITS ASSOCIATED ENTITIES. ESSO'S DISTRIBUTION AND MANUFACTURING FACILITIES HAVE BEEN MAINTAINED IN SOUND OPERATING CONDITION AND IT IS ESTIMATED THEIR REPLACEMENT VALUE TODAY WOULD BE DOUBLE THE VALUES REFLECTED IN THE ACCOUNTS. VALUES REFLECTED IN THE ACCOUNTS ARE AND WILL BE BASED ON ACCOUNTS AUDITED BY STATUTORY AUDITORS.

8. ESSO EARNESTLY RESPECTFULLY REQUESTS THE GOVERNMENT TO GIVE EARLIEST CONSIDERATION TO THE FOREGOING REVISED PROPOSALS AND

INDICATE TO ESSO WHICH PROPOSAL AND MEANS OF SETTLEMENT IT CHOOSES  
TO DISCUSS. WHEN THIS IS DONE AND AFTER ANY REQUIRED DISCUSSIONS  
ARE CONCLUDED ESSO WILL DRAFT A MEMORANDUM OF AGREEMENT FOR THE  
GOVERNMENT AND ESSO TO CONSIDER SUBJECT TO ANY AMENDMENTS DEPENDING  
ON CIRCUMSTANCES. WE LOOK FORWARD TO YOUR EARLY RESPONSE TO THESE  
PROPOSALS. UNQUOTE

VI. SEITZ/ONPSEN. APRIL THIRD. SENT FROM US EMBASSY DACCA

APRIL EIGHTH.

DECONTROL ON RECEIPT.

NEWBERRY

NOTE BY OC/T: NOT PASSED ESSO EAST, HOUSTON.

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## Message Attributes

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